Americaya Singapore Pte Ltd v Americaya Malaysia Sdn Bhd

HIGH COURT (KUALA LUMPUR) — CIVIL SUIT NO D5-22-1030-93
ABDUL MALEK J
31 JANUARY 1994

Trade Marks *— Registered trade mark — Infringement and passing-off — Application for stay of proceedings pending defendant's application to expunge plaintiff's registered trade mark before the Registrar of Trade Marks — Mala fides*

Trade Marks *— Registered trade mark — Infringement — Application for interlocutory injunction — Balance of convenience*

The plaintiff applied by way of a summons-in-chambers for, inter alia, an injunction to restrain the defendant from offering for sale, selling, exporting, importing, manufacturing, distributing or dealing in goods bearing the trade mark 'Americaya' which was not of the plaintiff's manufacture or origin, or otherwise infringing the plaintiff's registered trade mark, and for the defendant deliver within four days all goods or other materials which would offend the injunction which were in the possession, power, custody or control of the defendant. However, by consent, the court first heard the defendant's application for an order to stay proceedings until the defendant's applications to expunge the plaintiff's registered trade mark before the Registrar of Trade Marks was disposed of or for an order that the plaintiff give security for costs of RM50,000 within 14 days of the order and in default of such security being given, that the be suit dismissed.

It was not disputed that the plaintiff are the registered proprietor of the trade mark 'Americaya' and the defendant had been using that trade mark as the plaintiff and the defendant had been in business together since July 1989. There had been no challenge to the plaintiff's use of the trade mark up to November 1992, when the defendant filed expungement proceedings before the Registrar of Trade Marks on the ground that the original registration was obtained by fraud. The plaintiff alleged that the defendant's application for expungement was made because the plaintiff had, in August 1992, written to the defendant giving it three months' notice to terminate the defendant's licence to use the trade mark.

Held, allowing the plaintiff's application and dismissing the defendant's application:

(1) The defendant's application to the Registrar of Trade Marks to expunge the plaintiff's trade mark when their licence to use the trade mark was coming to an end was quite against the stand they had taken when they were licensed by the plaintiff three years previously and when they had categorically accepted and recognized the plaintiff's proprietary rights in the trade mark. That clearly illustrated the

defendant's mala fides in the matter tantamount to the expungement proceedings based on fraud being a mere vexatious attempt by the defendant to delay the plaintiff's application for an injunction to restrain them from further dealing in the trade mark especially when they no longer had the licence to do so.

(2) Accordingly, the defendant's application for a stay of proceedings until its expungement application was heard by the Registrar of Trade Marks was dismissed but their application for security for costs in the sum of RM25,000 was allowed purely on the basis that the plaintiff are based in Singapore.

(3) The injunction prayed for by the plaintiff was granted as there was a serious question to be tried and the balance of convenience lay in favour of the plaintiff. The defendant would not be put out of business by this order as they were not dealing with 'Americaya' goods only. Consequently, the court ruled in favour of the plaintiff with costs except that the defendant was given one month's grace to deliver the goods or other materials in their possession, power, custody or control instead of the four days prayed for by the plaintiff.

[Bahasa Malaysia summary

Plaintiff telah memohon melalui suatu saman dalam kamar untuk, antara lain, suatu injunksi utnuk menahan defendan daripada menawarkan untuk jualan, menjual, mengeksport, mengimport, membuat, mengedar atau berniaga dalam barangan yang mempunyai tanda dagangan 'Americaya' yang tidak dibuat oleh atau berasal daripada plaintif, atau melanggar tanda dagangan plaintif dalam sebarang cara lain, dan supaya defendan menghantar-serah dalam masa empat hari semua barangan atau bahan lain yang akan melanggar injunksi itu yang berada di dalam milikan, kuasa, jagaan atau kawalan defendan. Bagaimanapun, dengan persetujuan, mahkamah telah mendengar permohonan defendan untuk suatu perintah penggantungan prosiding terlebih dahulu sehingga permohonan defendan untuk membatalkan tanda dagangan berdaftar plaintif yang dibuat di hadapan Pendaftar Tanda Dagangan telah diputuskan atau untuk suatu perintah bahawa plaintif memberi jaminan kos sebanyak RM50,000 dalam masa 14 hari daripada tarikh perintah itu dan jika plaintif ingkar memberi jaminan itu, supaya tindakan ini dibuang.

Adalah tidak dipertikaikan bahawa plaintif merupakan pemilik berdaftar tanda dagangan 'Americaya' dan defendan telah menggunakan tanda dagangan itu kerana plaintif dan defendan telah menjalankan perniagaan bersama sejak Julai 1989. Tidak ada sebarang cabaran kepada penggunaan tanda dagangan itu oleh plaintif sehingga November 1992, apabila defendan telah memfailkan prosiding pembatalan di hadapan Pendaftar Tanda Dagangan atas dasar bahawa pendaftaran asal itu telah dibuat dengan melakukan fraud. Plaintif mengatakan bahawa permohonan defendan untuk membatalkan tanda dagangan itu telah dibuat kerana plaintif telah, pada Ogos 1992, menulis kepada defendan dan memberinya notis selama tiga bulan

untuk menamatkan lesen defendan untuk menggunakan tanda dagangan itu.

Diputuskan, membenarkan permohonan plaintif dan menolak permohonan defendan:

(1) Permohonan defendan kepada Pendaftar Tanda Dagangan untuk membatalkan tanda dagangan plaintif apabila lesennya untuk menggunakan tanda dagangan itu hampir tamat adalah bercanggahan dengan pendirian yang diambil oleh mereka apabila mereka dilesenkan untuk mengguna tanda dagangan itu oleh plaintif tiga tahun sebelum itu dan apabila mereka dengan jelas menerima dan mengiktiraf hak ketuanpunyaan plaintif dalam tanda dagangan itu. Itu jelas menggambarkan mala fides defendan di dalam perkara ini, iaitu prosiding pembatalan yang berdasarkan fraud itu merupakan suatu percubaan defendan yang menyusahkan supaya melengahkan permohonan plaintif untuk suatu injunksi untuk menghalang mereka daripada terus berniaga dengan menggunakan tanda dagangan itu terutama sekali apabila mereka tidak lagi mempunyai lesen untuk berbuat demikian.

(2) Dengan demikian, permohonan defendan untuk menggantung prosiding sehingga permohonan pembatalannya didengar oleh Pendaftar Tanda Dagangan ditolak tetapi permohonan mereka untuk jaminan kos sebayak RM25,000 dibenarkan hanya atas dasar bahawa plaintif berpusat di Singapura.

(3) Injunksi yang dipohon oleh plaintif dibenarkan kerana terdapat soalan serius untuk dibicarakan dan imbangan kemudahan memihak kepada plaintif. Perniagaan defendan tidak akan ditutup oleh perintah ini kerana mereka tidak berniaga dalam barangan 'Americaya' sahaja. Akibatnya, mahkamah membuat keputusan yang memihak kepada plaintif dengan memberi kos, tetapi defendan diberi satu bulan untuk menghantar-serah barangan atau bahan lain yang berada dalam milikan, kuasa, jagaan atau kawalan mereka dan bukan empat hari seperti yang dipohon oleh plaintif.]

[*Editorial Note*: The defendant has appealed to the Supreme Court vide Civil Appeal No 02–47–94.]

Notes

For a case on a stay of proceedings in a passing-off action, see 12 *Mallal's Digest* (4th Ed) para 839.

For cases on the balance of convenience in applications for interim injunctions, see 12 *Mallal's Digest* (4th Ed) paras 836, 858.

Cases referred to

1 *T Wall & Sons Ltd & Anor v Rasa Sayang Ice Cream (sued as a firm) & Anor* [1981] 2 MLJ 271 (distd)

2 *Berlei (UK) Limited v Bali Brassiere Company Incorp* [1970] RPC 469 (folld)

3 *Mothercare Ltd v Robson Books Ltd* [1979] FSR 466 (folld) A
4 *Cayne & Anor v Global Natural Resources Plc* [1984] 1 All ER 225 (refd)

David Morais (*Rabinder Kaur* with him) (*Tay & Partners*) for the plaintiff.
Ambiga Sreenevasan (*Timothy Siaw* with her) (*Skrine & Co*) for the defendant. B

Abdul Malek J: Both parties had each filed a summons-in-chambers upon a certificate of urgency. The one filed by the plaintiff on 16 September 1993 is to restrain the defendant from offering for sale, selling, exporting, importing, manufacturing, distributing, disposing of or parting with C possession, or otherwise howsoever dealing in goods bearing the trade mark 'Americaya' or any colourable imitation thereof but not of the plaintiff's manufacture or origin, or otherwise howsoever infringing the plaintiff's Registered Trade Mark Nos M/67308, M/67309, 18473, 18474, 13,699 and 13,698 until further order, and to order the defendant to deliver within D four days all goods or other materials in the possession, power, custody or control of the defendant, the manufacture, use or sale by the defendant of which would offend the injunctions prayed for and a verification upon oath that the defendant no longer has in its possession, power, custody or control of any goods or materials so marked, and costs including costs of all storage charges incurred. E

By consent, however, the court had first heard the defendant's application filed later, on 5 October 1993, for an order that all proceedings in this suit be stayed until the defendant's applications to expunge the plaintiff's trade mark registration numbers M/67308 in Class 25, M/67309 in Class 18, S/18473 in Class 18, S/18474 in Class 25, Sar/13,699 in Class 18 and Sar/13,698 in Class 25 before the Registrar of Trade Marks had been finally F disposed of or until further order, for an order that the plaintiff within 14 days of the order give security for costs in the sum of RM50,000 by payment into court or by way of banker's guarantee to the satisfaction of the defendant, that in default of such security being given, this suit do stand dismissed, and for costs and other relief. G

It is not disputed that the plaintiff are the registered proprietors of the trade mark 'Americaya' and the defendant had been using that trade mark. However, the defendant had filed expungement proceedings before the Registrar of Trade Marks on 5 November 1992 on the grounds that the original registration was obtained by fraud. The basis of the defendant's application is that the plaintiff's claim in these proceedings and the H defendant's expungement applications before the Registrar of Trade Marks raises the same issues concerning the validity of the trade mark registrations. It was, therefore, the defendant's contention that it would be more expedient to have the validity of the trade mark registrations decided by the Registrar of Trade Marks first before the court decides whether the plaintiff are I entitled to the reliefs sought which is dependent upon the status of the trade mark registrations especially so when the defendant had filed the expungement applications earlier.

A The defendant further maintains that the plaintiff had delayed in making their application as they had issued the three months' notice to terminate the licence to use the said trade mark to the defendant on 13 August 1992 and this had expired on 13 November 1992. The defendant would also be highly prejudiced by the fact that since using the trade mark from July 1989, they had operated six outlets in this country, two in Kuala Lumpur and one each in Subang Jaya, Ipoh, Penang and Kota Kinabalu and had annually expended, for advertising and promotional purposes, RM42,521.40, RM191,961, RM56,806.07 and RM165,000 for the periods expiring on 31 January in 1990, 1991, 1992 and 1993, respectively. The annual turnovers for the same periods were RM1,407,309, RM4,413,371, RM6,406,693.72 and RM6,510,515.56, respectively. Accordingly, the defendant were of the view that the balance of convenience lies heavily against the grant of the injunctive reliefs sought by the plaintiff which would result in unquantifiable damage and loss to the defendant's reputation and business which cannot be compensated in monetary terms.

Learned counsel for the plaintiff had reiterated the fact that the plaintiff has been the registered proprietor of the six trade marks since 1974. Being a company incorporated in Singapore, they had since then carried on the business of the manufacture and sale of products bearing the 'Americaya' trade mark in Singapore and Malaysia.

The majority shareholder of the plaintiff is Americaya Shoe Co Ltd of Japan (hereinafter 'Americaya Japan') who holds 75% of the plaintiff's shares. Texchem Holdings Sdn Bhd (hereinafter 'Texchem') as minority shareholder holds 17%. Americaya Japan had used the Americaya trade mark since 1925. It was Americaya Japan which had authorised the plaintiff to file the relevant applications in 1974 in Singapore, Malaysia and Brunei.

Learned counsel for the plaintiff had further argued that although the plaintiff and the defendant had been in business together since July 1989, there had been no challenge to the plaintiff's use of the trade mark up to November 1992. The reason, he added, for the defendant filing the expungement proceedings in November 1992 was because the plaintiff had in August that year written to the defendant giving them three months' notice to terminate the defendant's licence to use the trade mark. This was obvious, he said, because the filing of the expungement proceedings coincided with the expiration of the three months' notice. In consequence, the defendant's application for stay must be held to be frivolous more so because the relevant correspondence showed that the defendant had admitted the plaintiff's title long before that and because the grounds for the expungement proceedings were that the plaintiff's registration was fraudulent and that there has been non-user.

As for the defendant contending that the proper registered proprietor should be Americaya Japan and not the plaintiff, learned counsel for the plaintiff had asserted that that cannot be so as there had been an absolute assignment of the right to register the trade mark from Americaya Japan to the plaintiff and also because it is implicit in the shareholding arrangement that Americaya Japan had consented and authorized the use of the trade mark by the plaintiff. As such, the alleged fraud cannot be substantiated as

the defendant had all along been aware of the relationship between the three parties and they had never previously disputed the trade mark. As for the non-user, the plaintiff had shown the relevant invoices to support their averment that they had manufactured, exported and sold Americaya products from 1984 with a sales turnover of RM80,831.34 in that year to RM611,273 in 1992.

Learned counsel for the defendant had referred me the case of *T Wall & Sons Ltd & Anor v Rasa Sayang Ice Cream (sued as a firm) & Anor*,[1] but although it appears to be exactly on all fours with the present case, a careful study of that authority indicates that that is not quite so. There, the first plaintiff had given the second plaintiff registered user rights to manufacture and sell ice-cream under their word and logo trade marks bearing the distinctive features of five vertical stripes, an oval on the stripes and the word 'Walls' inside the oval. The first defendant from 1973 and the second defendant from 1976 had manufactured and sold ice-cream in packages bearing an oval with the words 'Rasa Sayang' bordered by designs made up of straight and curved lines. The plaintiffs alleged that the use of these trade marks by the defendants misled foreign tourists into mistaking the defendants' products for those of the plaintiffs. They had, therefore, applied for an interim injunction to restrain the defendants from using the trade mark. The defendants claimed that their get-up with the words 'Rasa Sayang' could not in any way be mistaken for that of the plaintiffs. The defendants had also applied for registration of the words 'Rasa Sayang' and their logo to the Registrar of Trade Marks on 31 January 1973 and their application, although accepted, was pending registration. On 9 October 1976, the plaintiffs had filed a notice of opposition to the defendants' application and that too was pending before the Registrar of Trade Marks.

It was held that it would be unjust to decide on the merits of the case when the matter of the defendants' application was before the Registrar of Trade Marks whose knowledge and experience in these matters should be allowed to be utilized to the full when considering the application and the objection thereto. It also held that no irreparable damage or great hardship would be occasioned to the plaintiffs if the defendants were not restrained pending the decision of the Registrar of Trade Marks and that any steps to effect a speedy resolution of the dispute could better be taken by way of mandamus to compel a prompt decision by the Registrar of Trade Marks and not by way of this suit which would pre-empt his decision. On the balance of convenience and in the interests of justice, it had ordered a stay of all further proceedings.

The facts here are not quite the same. Here, the defendant had been licensed to use the plaintiff's trade mark since July 1989, which was a bare licence to use the mark pending agreement between the parties as to the payment of royalties and for other payments for use, but in August 1992, the plaintiff had given the defendant three months' notice to terminate the licence. The major shareholder of the plaintiff, Americaya Japan, had used the trade mark since 1925 and the plaintiff had been assigned the trade mark by Americaya Japan in 1974. The issue in the ice-cream case was whether the defendant's 'Rasa Sayang' trade mark infringed the plaintiff's

'Walls' trade mark in view of the similar designs in the logo. That was, therefore, a clear case of passing-off and the court felt that since the defendant's application to register the trade mark and the plaintiff's opposition to it were still pending, it would be better for the Registrar of Trade Marks to deal with the issue first. That was quite understandable as, if the Registrar of Trade Marks were to disallow the defendant's registration, that would be the end of the plaintiff's suit as well.

Here, the defendant had applied to the Registrar of Trade Marks to expunge the plaintiff's trade mark when their licence to use the said trade mark was coming to an end. This is quite against the stand they had taken when they were licensed by the plaintiff three years before that when they had categorically accepted and recognized the plaintiff's proprietary rights in the trade mark. This clearly illustrates the defendant's mala fides in the matter tantamount to the expungement proceedings based on fraud being a mere vexatious attempt by the defendant to delay the plaintiff's application for an injunction to restrain them from further dealing in the trade mark especially when they no longer had the licence to do so.

In *Berlei (UK) Ltd v Bali Brassiere Company Incorp*,[2] which was an action for infringement of the trade mark 'Berlei' by use of the mark 'Bali' in connection with brassieres, the defendants applied to stay the action pending a decision in connection with applications filed by the defendants in 1965 and 1969 to register their mark, the defendants relying on alleged honest concurrent use. An earlier registration by the defendants dating from 1938 had, in 1969, been expunged by a decision of the House of Lords, but in those proceedings the defendants had not pleaded honest concurrent use. In seeking a stay, the defendants contended, inter alia: (a) that if there were to be no stay and the plaintiffs obtained an injunction, then the Registrar would be bound to dismiss the applications; and (b) that if registration were obtained, then this, coupled with the 1938 registration, would provide a complete defence to the infringement action, or at worst a defence in respect of all but a trivial period of use, and that until the result of the applications was known, it could not be said whether there was anything to litigate. Other points considered by the court included the questions whether s 12(2) could apply notwithstanding s 11, whether the defendants had pressed their applications with sufficient diligence, and whether the plaintiffs should have commenced infringement proceedings at an earlier date. The defendants proffered undertakings to proceed with their applications with the utmost vigour and also to restrict use of their mark to goods which were not mass-produced. It was held, refusing a stay, that the cases established, first, that prima facie, a plaintiff who had alternative open to him was entitled to choose his tribunal, and secondly, that the matter was nevertheless one for the discretion of the court and that if the court reached the conclusion that the interests of justice would best be served by ordering a stay, then a stay there should be.

Accordingly, I had, in exercising my judicial discretion, dismissed the defendant's application for a stay of proceedings until their expungement application is heard by the Registrar of Trade Marks but I had allowed their application for security for costs in the sum of RM25,000 purely on the basis that the plaintiff are based in Singapore.

As for the plaintiff's application for an interim injunction, which I had granted and which forms the reason for this appeal by the defendant, it had been held in *Mothercare Ltd v Robson Books Ltd*,[3] that:

> In applying the first test laid down in the *American Cyanamid* case, all that has to be seen is whether the plaintiff has prospects of success which, in substance and reality, exist. In the present case, the defendants were inviting some degree of confusion with the plaintiff company's style 'Mothercare', at least in the minds of those members of the public who do not consider these matters with perspicacity, and it was at least possible that purchasers of the defendants' book would buy it in the belief that it was in some way the product of the plaintiffs or associated in some way with that company. Accordingly, it was impossible to say that the plaintiffs had no real prospect of success or that there was no serious question to be tried. An award of damages would not adequately compensate the plaintiffs if they won at the trial after failing to get an interlocutory injunction. If an interlocutory injunction were granted, but the defendants succeeded at the trial, there was a substantially greater prospect of damages proving an adequate recompense. If an injunction were granted, the injury to the defendants would mainly be merely one of delay, and the status quo would be preserved. An injunction would therefore be granted.

It had also been held in *Cayne & Anor v Global Natural Resources Plc*,[4] that:

> For the purposes of an application for an interlocutory injunction there is a triable issue between the parties if there is a serious question to be tried (ie one for which there is some supporting material) of which the outcome is uncertain. Accordingly, where the plaintiff's case relies solely on inference and the defendant has sworn a positive affidavit which, if true and accepted, destroys that inference, the court should not necessarily conclude that the plaintiff has failed to establish a triable issue, because on such an application it is not necessary for the parties to establish firmly the outcome of the case, and the mere fact that a party's case is deposed to does not make it incontrovertible...
>
> Where the grant or refusal of an interlocutory injunction will have the practical effect of putting an end to the action, the court should approach the case on the broad principle of what it can do in its best endeavour to avoid injustice, and to balance the risk of doing an injustice to either party. In such a case the court should bear in mind that to grant the injunction sought by the plaintiff would mean giving him judgment in the case against the defendant without permitting the defendant the right of trial. Accordingly, the established guidelines requiring the court to look at the balance of convenience when deciding whether to grant or refuse an interlocutory injunction do not apply in such a case, since, whatever the strengths of either side, the defendant should not be precluded by the grant of an interlocutory injunction from disputing the plaintiff's claim at a trial.

Kerly's Law of Trade Marks and Trade Names had stated that:

> A plaintiff applying for interlocutory relief must show an arguable case against the defendant, and that, if he is right, continuance of the defendant's activities until the trial is likely to cause substantial damage to him that is irreparable in the sense that it will not be compensated by an order for damages at the trial. He need not in general show a strong prima facie case — say, a 20 per cent, chance of success at the trial will do — but something more is needed than a case that will avoid being struck out as frivolous or vexatious. In trade mark infringement cases irreparable damage, in this sense, is relatively easily shown, since infringement may easily destroy the value of a mark or at least nullify expensive advertising in

A a way that is hard to quantify for the purposes of an inquiry into damages. Where all that can be shown, however, is that some damage is likely and ought not to be allowed to go on for too long, an order for a speedy trial may be more appropriate than an injunction. The defendant may meet the application by showing that he genuinely intends to defend and that he also would, if an injunction were granted and were shown at the trial to have been unjustified, B suffer damage not reparable by an order for damages under the cross-undertaking that accompanies any interlocutory injunction. If the defendant is able so to do, the matter then depends on the 'balance of convenience': that is, on the relative extent of the damage to one or other party if the injunction is or is not granted. The ability of the parties to meet an order for damages on the scale contemplated will here be relevant. In general, the likelihood that one or other party will C succeed at the trial is not a relevant consideration: but the likely extent of confusion or deception clearly may be; whilst in cases where the interlocutory proceedings are likely to determine the dispute finally, one way or the other, the probabilities of success are clearly relevant.

In the final analysis, it was my finding that there was a serious question to D be tried and that the balance of convenience lay in favour of the plaintiff. The defendant would not be put out of business by this order as they are not dealing with 'Americaya' goods only.

Consequently, I had ruled in favour of the plaintiff with costs except that I had given the defendant one month's grace to deliver the goods or other materials in their possession, power, custody or control instead of the four E days prayed for by the plaintiff, and had also ordered an early trial so that damages to both parties would be reduced considerably either way the decision goes.

Order accordingly.

F Reported by Anne Khoo

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